

State of Idaho

Legislative Services Office

Individual Entity Audit Report

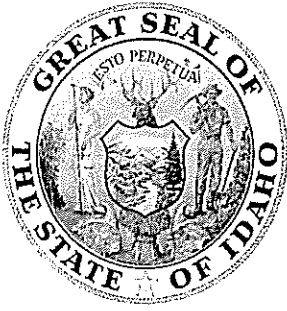
A communication to the Joint Finance-Appropriations Committee

IDAHO STATE INDEPENDENT LIVING COUNCIL

FY 2009

Report OP 90509
Date Issued: November 15, 2010

Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

Don H. Berg, Manager

IDAHO STATE INDEPENDENT LIVING COUNCIL

SUMMARY

PURPOSE OF AUDIT REPORT

We have audited the financial statements of the Idaho State Independent Living Council (Council) for the fiscal year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Council's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION

We conclude that the Council's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Council's financial statements.

FINDINGS AND RECOMMENDATIONS

There are three findings and recommendations in this report.

1. Internal control weaknesses exist in the process for preparing the financial statements.
2. Requests for federal funds were not based on actual program costs as required by federal regulations.
3. Federal expenditure reports for the "Violence Against Women" grant do not agree with the accounting records.

The complete findings and recommendations are detailed on pages 18 through 20.

PRIOR FINDING AND RECOMMENDATION

There were no findings and recommendations in the prior report.

AGENCY RESPONSE

The Council has reviewed this report and is in general agreement with its contents.

This report is intended solely for the information and use of the State of Idaho and the Idaho State Independent Living Council, and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Robbi Barrutia, and her staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor

Eric Bjork, Staff Auditor

TABLE OF CONTENTS

Independent Auditor's Report – Unqualified Opinion on Basic Financial Statements.....	1
---	---

Basic Financial Statements

Fund Balance Sheet/Statement of Net Assets.....	3
---	---

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities	4
--	---

Notes to Financial Statements.....	5
------------------------------------	---

Required Supplementary Information

Schedule of Revenues and Expenditures – Budget to Actual – Governmental Fund.....	10
---	----

Note to Required Supplementary Information.....	11
---	----

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
---	----

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	14
--	----

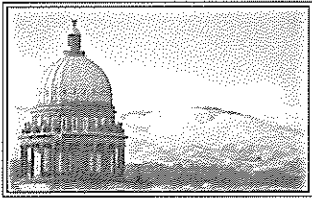
Schedule of Expenditures of Federal Awards.....	16
---	----

Notes to Schedule of Expenditures of Federal Awards	17
---	----

Schedule of Findings and Questioned Costs.....	18
--	----

Agency Response.....	21
----------------------	----

Appendix.....	23
---------------	----



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 15, 2010

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Robbi Barrutia, Executive Director
Idaho State Independent Living Council
816 W. Bannock Street, Suite 202
Boise, ID 83720-9601

Angela Lindig, Chair
Idaho State Independent Living Council
2029 N. Wingate Place
Meridian, ID 83646

Dear Ms. Barrutia and Ms. Lindig:

We have audited the accompanying financial statements of the Idaho State Independent Living Council as of and for the year ended June 30, 2009, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Council as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010, on our consideration of the Council's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

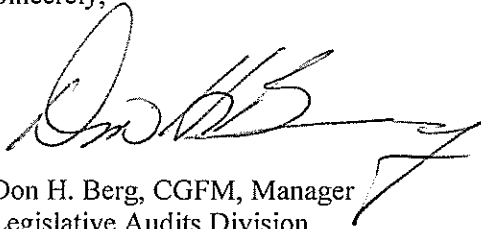
Glenn Harris, Manager
Information Technology

The Council has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a long horizontal line extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO STATE INDEPENDENT LIVING COUNCIL
FUND BALANCE SHEET/STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	General Fund	Adjustments Note 2	Statement of Net Assets
<u>ASSETS</u>			
Cash in Treasury	\$87,219		\$87,219
Grant Funds Receivable	70,719		70,719
Capital Assets, Net of Accumulated Depreciation		1,438	1,438
Total Assets	<u>\$157,938</u>	<u>\$1,438</u>	<u>\$159,376</u>
<u>LIABILITIES</u>			
Accounts Payable	\$42,399	\$0	\$42,399
Accrued Salaries and Benefits	4,993		4,993
Deferred Revenue	31,323		31,323
Compensated Absences	<u>7,644</u>		<u>7,644</u>
Total Liabilities	<u>\$86,359</u>	<u>\$0</u>	<u>\$86,359</u>
<u>FUND BALANCES/NET ASSETS</u>			
Fund Balances:			
Unreserved	<u>\$71,579</u>	<u>(\$71,579)</u>	
Total Fund Balances	<u>\$71,579</u>	<u>(\$71,579)</u>	
Total Liabilities and Fund Balances	<u>\$157,938</u>		
Net Assets:			
Invested in Capital Assets, Net of Related Debt		\$1,438	\$1,438
Unrestricted		<u>71,579</u>	<u>71,579</u>
Total Net Assets		<u>\$73,017</u>	<u>\$73,017</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO STATE INDEPENDENT LIVING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Adjustments Note 3	Statement of Activities
Revenues:			
General Fund	\$120,900	\$0	\$120,900
Independent Living Grant	167,964	0	167,964
AmeriCorps Grant	142,312	0	142,312
Office of Violence Against Women Grant	215,833	0	215,833
Medicaid Infrastructure Grant	151,508	0	151,508
Other	30,586	0	30,586
	<u>\$829,103</u>	<u>\$0</u>	<u>\$829,103</u>
Expenditures:			
Personnel	\$447,308	\$0	\$447,308
Communications	12,859	0	12,859
Employee Development	29,236	0	29,236
Professional Services	139,389	0	139,389
Repairs and Maintenance	1,378	0	1,378
Printing and Copying	6,946	0	6,946
Computer Services	1,654	0	1,654
Travel	71,141	0	71,141
Supplies	8,102	0	8,102
Insurance	321	0	321
Utilities	42	0	42
Rental and Lease	56,504	0	56,504
Government Overhead	56,800	0	56,800
Capital Outlay	6,481	0	6,481
Contract Services	73,523	0	73,523
Depreciation	0	719	719
	<u>\$911,684</u>	<u>\$719</u>	<u>\$912,403</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(82,581)	(719)	
Excess Expenditures		(82,581)	
Changes in Net Assets		(83,300)	(83,300)
Fund Balances/Net Assets			
At beginning of Year	<u>154,160</u>		<u>156,317</u>
Net Assets End	<u><u>\$71,579</u></u>		<u><u>\$73,017</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Idaho State Independent Living Council was created by Governor's Executive Order in May 1993, and became an independent State governmental entity in July 1994.

The Council is charged with developing, in conjunction with the Idaho Division of Vocational Rehabilitation and the Idaho Commission for the Blind and Visually Impaired, the State Plan for Independent Living for people with disabilities, providing support for the centers for independent living, serving as an advocate for independent living services provided through State and federal programs for people with disabilities, gathering and disseminating information, conducting studies and analyses, developing model policies, conducting training on independent living philosophies, and working to expand and improve independent living services.

Funding for the operations of the Council comes primarily from the Federal Workforce Development Act, through the Idaho Division of Vocational Rehabilitation and the Idaho Commission for the Blind and Visually Impaired. In addition, funds are received from the State General Fund.

The Council is governed by a 22-member Board. Council members are nominated by other Council members and appointed by the Governor to three year terms. A Council member may serve two terms. Of the 22 Council members, two are elected each year to serve as chair and vice-chair.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Council relating to the General Fund and account groups included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments.

Reporting Entity

The Council's financial statements include the accounts of all Council operations. The criteria for including organizations as component units with the Council's reporting entity, as set forth in Section 2010 of the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in its own name)
- The Council holds the corporate powers of the organization
- The Council appoints a voting majority of the organization's board
- The organization has the potential to impose a financial benefit/burden on the Council
- There is fiscal dependency by the organization on the Council

Based on the aforementioned criteria, the Council has no component units.

Basis of Presentation

The Fund Balance Sheet/Statement of Net Assets and the Statement of Revenues, Expenditures, and changes in Fund Balances/Statement of Activities present information about the Council's financial activities.

The accounts of the Council are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. The Council uses only a general fund to account for its assets, liabilities, revenues, and expenditures.

For the purpose of these basic financial statements, the general fund assets, liabilities, revenues, and expenditures are reconciled to the Statement of Net Assets and the Statement of Activities, as required by GASB 34.

Measurement Focus/Basis of Accounting

The Statement of Net Assets and Statement of Activities are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The governmental fund types (general fund) use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

Cash

Cash includes funds deposited with the Idaho Office of the State Treasurer.

Capital Assets

Purchased capital assets are reported at cost or estimated historical cost. The Council follows the capitalization guidelines of the State of Idaho, in which assets with useful lives of one year or more and costing more than \$5,000 are included in capital assets. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Office Equipment	7 years

Compensated Absences

The liability for compensated absences reported in the Statement of Net Assets consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive termination benefits are included.

Risk Management

The Council participates in the State of Idaho Risk Management Pool through the Department of Administration to provide workers' compensation coverage and general liability and property insurance coverage. The Council, along with other Departments of State government, contributes annual amounts as determined by the Department of Administration. As claims arise, they are submitted to and paid by the Pool. During the year ended June 30, 2009, the Council contributed

\$500 to the Pool for insurance coverage. There were no significant reductions in insurance coverage from the prior year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances

The Council utilizes reserves to denote that portion of fund balance which is not appropriable for expenditures or is legally segregated for specific use. Reserves are as indicated on the balance sheet.

NOTE 2. DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEETS AND THE STATEMENT OF NET ASSETS

Net assets reported in the Statement of Net Assets (\$73,017) differs from the total "fund balance" of the Council's general fund (\$71,579). This difference results primarily from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the general fund. Detailed explanations of adjustments are provided below.

Amounts Invested in Capital Assets, Net of Accumulated Depreciation \$1,438

NOTE 3. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Total expenditures for the general fund (\$911,684) differ from total expenses for governmental activities (\$912,403) reported in the Statement of Activities. The differences arise from the long-term economic focus of the Statement of Activities versus the current spending focus of the governmental funds. Detailed explanations of adjustments are provided below.

Current Year Depreciation Expense(\$719)

NOTE 4. CAPITAL ASSETS

Capital assets consist of office equipment. Activity in capital assets for the year ended June 30, 2009, is as follows:

	Assets	Depreciation	Net
Balance at July 1, 2008	\$5,033	\$2,876	\$2,157
Additions	0	719	(719)
Balance at June 30, 2009	\$5,033	\$3,595	\$1,438

NOTE 5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, is as follows:

	Compensated Absences
Beginning Balance	\$14,247
Additions	7,497
Deletions	14,100
Ending Balance	<u>\$7,644</u>

NOTE 6. LEASE COMMITMENTS

The Council had leased office space for a period of three years beginning February 2008, with an option to renew for two additional years. Monthly rental payments through January 31, 2009 (first year) were \$3,495. Monthly rental payments for year two are \$3,616, year three will be \$3,736, year four will be \$3,857, and year five will be \$3,977. The Council has subleased a portion of the space at \$500 per month.

Minimum rental commitments of the Council are as follows:

Fiscal Year Ending June 30, 2010	\$43,992
Fiscal Year Ending June 30, 2011	45,437
Fiscal Year Ending June 30, 2012	46,884
Fiscal Year Ending June 30, 2013	<u>27,839</u>
Total	<u>\$164,152</u>

NOTE 7. RETIREMENT PLAN

The Council participates in the retirement plan offered by the Public Employees Retirement System of Idaho (PERSI). PERSI, a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible State and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI or from its Web site.

The actuarially determined contribution requirements of the Council and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2009, the required contribution rate as a percentage of covered payroll for members was 6.23%. The employer rate as a percentage of covered payroll was 10.39%. The Council's employer contributions required and paid were \$11,623, \$17,077, and \$24,192 for the three year period ended June 30, 2007, 2008, and 2009, respectively.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

The State of Idaho funds, or partially funds, post-employment benefits relating to health, disability, and life insurance. The Council participates in the State's post-employment benefit programs. The State administers the retiree health care plan, which allows retirees to purchase health care insurance coverage for themselves and eligible dependents. The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum of age 70. The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum of age 70. For up to 30 months following the date of disability, an employee is entitled to continue health care coverage. Benefit costs are paid by the Council through a rate charged by the State. The primary government is reporting the liability for the retiree health care and long-term disability benefits. Specific details of these post-employment benefits are available in the statewide *Comprehensive Annual Financial Report (CAFR)*, which may be obtained by contacting the Office of the State Controller or from its Web site.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
IDAHO STATE INDEPENDENT LIVING COUNCIL
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual (Budgetary Basis)	Variance
Revenues:			
General Fund	\$129,100	\$120,900	(\$8,200)
Title 7 grant	128,318	144,260	15,942
AMC grant	972,340	105,091	(867,249)
OVW		304,789	304,789
MIG		150,962	150,962
Other	29,000	30,586	1,586
	<u>\$1,258,758</u>	<u>\$856,588</u>	<u>(\$402,170)</u>
Reconciliation to GAAP Basis Revenues			
Change in Accounts Receivable		\$3,838	
Change in Deferred Revenue		(31,323)	
Total GAAP Revenues		<u>\$829,103</u>	
Expenditures:			
Personnel	\$479,402	\$349,837	\$129,565
Rent/Parking	53,717	54,114	(397)
Telephone and Internet	4,500	8,698	(4,198)
Staff Travel	42,500	19,501	22,999
Office Expenses	6,700	6,475	225
Printing and Publications	16,000	6,142	9,858
Memberships	26,000	1,324	24,676
Postage	9,900	1,856	8,044
Council Expenses	25,000	22,850	2,150
OVW Meeting	2,500	1,009	1,491
Training	4,500	22,094	(17,594)
AmeriCorps Travel and Training	10,300	9,160	1,140
OVW Travel and Training	25,000	19,548	5,452
Scholarships	3,000	2,000	1,000
Outreach	2,000	1,792	208
Professional Service	5,000	8,603	(3,603)
Governmental Overhead	2,000	1,675	325
Miscellaneous	500	1,778	(1,278)
Equipment	17,000	10,631	6,369
Contractual 2008	20,000	5,700	14,300
Contractual 2009	496,273	311,491	184,782
	<u>\$1,251,792</u>	<u>\$866,278</u>	<u>\$385,514</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$6,966</u>	<u>(\$9,690)</u>	<u>(\$16,656)</u>
Reconciliation to GAAP Basis Expenditures			
Change in Accounts Payable		\$41,628	
Change in Payroll Payable		3,778	
Total GAAP Expenditures		<u>\$911,684</u>	

The accompanying notes are an integral part of this financial schedule.

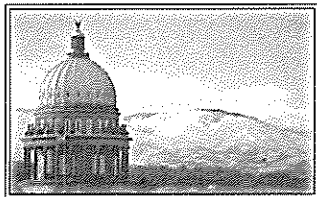
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

The Council's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30. Although the budget is formally approved by the members of the Council, it retains the authority to modify the budget during the year.

The Council follows these procedures in establishing the General Fund budgetary data reflected in the general purpose financial statements:

1. In May and June, the executive director prepares a budget proposal based on estimates.
2. In July, the budget proposal is submitted to the Council for approval.
3. The approved annual budget is used as a control device for the General Fund
4. The budget is adopted on a cash basis. Budgetary comparisons presented for the General Fund in this report are on this budgetary basis.
5. The Council approves revisions to the annual budget based on needs and circumstances.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 15, 2010

Independent Auditor's Report on Internal Control over
Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Robbi Barrutia, Executive Director
Idaho State Independent Living Council
816 W. Bannock Street, Suite 202
Boise, ID 83720-9601

Angela Lindig, Chair
Idaho State Independent Living Council
2029 N. Wingate Place
Meridian, ID 83646

Dear Ms. Barrutia and Ms. Lindig:

We have audited the financial statements of the governmental activities and major fund information of Idaho State Independent Living Council as of and for the year ended June 30, 2009, which collectively comprise the Council's basic financial statements and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

1 2 Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

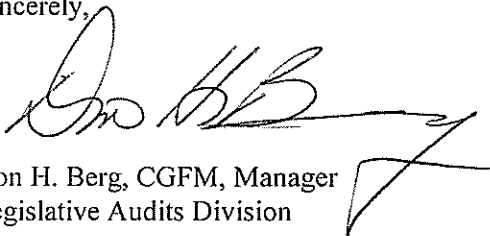
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies described in Finding 2009S-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal controls over financial reporting. We also consider this significant deficiency to be a material weakness.

Compliance and Other Matters

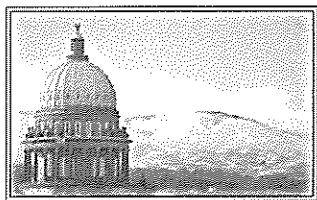
As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Idaho and the Idaho State Independent Living Council, and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", with a long horizontal flourish extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division



Legislative Services Office

Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 15, 2010

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Robbi Barrutia, Executive Director
Idaho State Independent Living Council
816 W. Bannock Street, Suite 202
Boise, ID 83720-9601

Angela Lindig, Chair
Idaho State Independent Living Council
2029 N. Wingate Place
Meridian, ID 83646

Dear Ms. Barrutia and Ms. Lindig:

Compliance

We have audited the compliance of the Idaho State Independent Living Council with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with *OMB Circular A-133*, and that are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2009F-1, and 2009F-2.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2009F1 and 2009F-2 to be significant deficiencies.

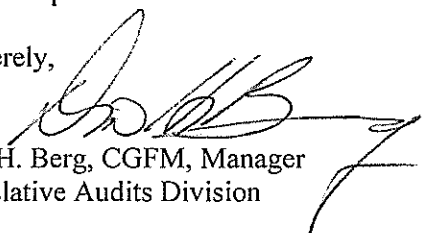
A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2009F-1 and 2009F-2 to be material weaknesses.

Responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Idaho Legislature, the management of the Idaho State Independent Living Council, the federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,


Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO STATE INDEPENDENT LIVING COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Federal CFDA</u>	<u>Contract Number</u>	<u>Contract Period</u>	<u>Amount</u>	<u>Expenditures</u>
U.S. Department of Education Passed through Idaho Vocational Rehabilitation Independent Living State Grants	84.169A	H169A200028A	10/1/08-9/30/09	\$122,220	\$122,220
U.S. Department of Justice Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	2006-FW-AX-K011	9/1/06-9/30/09	750,000	215,833
U.S. Department of Health and Human Services Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	1QACMS030327/01	1/1/09-12/31/09	500,000	151,508
Corporation for National and Community Service Passed through Idaho Department of Labor AmeriCorps	94.006	06AFGID0010003	8/1/08-8/31/09	176,243	142,312
					<u>\$631,873</u>

The accompanying note is an integral part of this financial statement.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Idaho State Independent Living Council's federal award programs presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non Profits Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements disclosed significant deficiencies that were considered material weaknesses identified as Finding 2009S-1.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit disclosed significant deficiencies in internal control over major programs identified as Findings 2009F-1 and 2009F-2 detailed below. These are considered to be material weaknesses.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit disclosed findings that must be reported in accordance with criteria in Section 510a of *OMB Circular A-133*.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
Violence Against Women	16.529
AmeriCorps Accessible Transportation	94.006

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Council did not qualify as a low-risk auditee as defined by *OMB Circular A-133*.

SECTION II. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

FINDING 2009S-1

Internal control weaknesses exist in the process for preparing the financial statements.

Internal controls are essential to ensure that financial statements and related note disclosures are accurate and complete. We noted several errors and omissions in the financial statements as a result of internal control weaknesses and incorrect financial data provided to the preparer of the financial statements. The following are examples of the errors we identified.

- 1) Grants receivable were understated by \$27,813.
- 2) Unearned revenue of \$31,323 was not reported on the Statement of Net Assets.
- 3) Revenue for the Title VII Grant was understated by \$104,266.
- 4) Revenue for the Office of Violence Against Women Grant was overstated by \$54,158.

- 5) The Schedule of Revenues and Expenditures – Budget to Actual statement was not reconciled to the GAAP basis revenues as required.

The quantity and magnitude of the errors and omissions indicate that internal controls are not properly designed or implemented. In addition, most of the errors or omissions would have caused the financial statements to be misleading and required a qualified opinion had they not been discovered during the audit and corrected.

RECOMMENDATION

We recommend that the Council review and strengthen the internal controls over the preparation of the financial statements to ensure the accuracy and integrity of the information presented.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The SILC, at the request of the new executive director, has required implementation of new and additional internal controls over the preparation of financial statements and related note disclosures to ensure that they are accurate and complete.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2009F-1

CFDA Title: 16.529

Federal Award #: 2006-FW-AX-K011

Program Year: SFY 2009

Federal Agency: U.S. Department of Justice

Compliance Requirement: C – Cash Management

Questioned Costs: \$31,000

Requests for federal funds were not based on actual program costs as required by federal regulations.

Federal regulations require the Council to request federal funds on a reimbursement basis with the objective of minimizing the time between disbursements for program costs by the Council and the collection of federal funds.

Federal fund requests were based on the cash position of the Council and were not supported by the reimbursement of program costs disbursed. This resulted in surplus federal cash on hand and, for the Violence Against Women grant, federal funds exceeded allowable program costs by more than \$31,000.

RECOMMENDATION

We recommend that the Council request federal funds in accordance with federal regulations and base these requests on disbursements for program costs.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

New systems are currently in place that will ensure that requests for federal funds will have the required program cost invoice backup to ensure the integrity of the request that reflects actual

program expenditures. This will ensure that there will be no surplus of federal cash on hand that exceeds allowable program costs.

FINDING 2009F-2

CFDA Title: 16.529

Federal Award #: 2006-FW-AX-K011

Program Year: SFY 2009

Federal Agency: U.S. Department of Justice

Compliance Requirement: L – Reporting

Questioned Costs: None

Federal expenditure reports for the Violence Against Women Grant do not agree with the accounting records.

The Council's management is responsible for designing and implementing accounting procedures and controls to ensure that financial information submitted to the federal grantor is accurate and supported.

The June 30, 2009 expenditure report for the Violence Against Women Grant was overstated by \$61,860. Council staff was unable to identify the difference because the spreadsheets used to track expenditures are not periodically reconciled to the accounting records.

RECOMMENDATION

We recommend that the Council reconcile federal expenditure reports to the accounting records and consider establishing a review process by other staff to ensure amounts are accurate and supported.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The SILC has implemented new procedures that will reconcile federal expenditure reports to the accounting records and has established a review process with other staff to ensure that the amounts are accurate and supported.

AGENCY RESPONSE



816 West Bannock, Ste. 202 (83702)
P.O. Box 83720
Boise, Idaho 83720-9601

November 15, 2010

Mr. Don H. Berg, Manager
Legislative Audits
Statehouse, P.O. Box 83720
Boise, ID 83720-0054

Mr. Berg:

This letter serves as the SILC's General Response and Corrective Action Plan to the financial statement audit that was prepared for the SILC for fiscal year 2009.

During fiscal year 2009 the SILC Executive Director, Kelly Buckland, resigned his position. A new executive director was hired but was terminated within a six month time-frame. These changes resulted in changes to internal controls that have been corrected prior to the completion of the audit. Additionally, the SILC has hired an individual with financial and accounting background to prepare the financials and implement additional internal controls.

Finding 2009 S-1 – Internal control weaknesses exist in the process for preparing the financial statements and the Schedule of Expenditures of Federal Awards (SEFA).

Corrective Action –The SILC, at the request of the new executive director, has required implementation of new and additional internal controls over the preparation of financial statements and related note disclosures to ensure that they are accurate and complete.

Finding 2009F-1 - Requests for federal funds were not based on actual program costs as required by federal regulations.

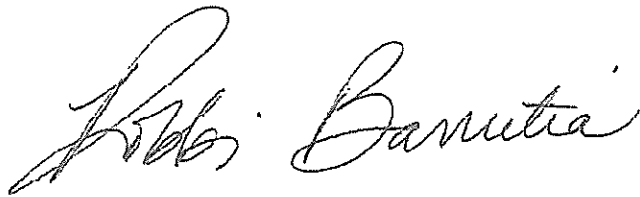
Corrective Action - New systems are currently in place that will ensure that requests for federal funds will have the required program cost invoice backup to ensure the integrity of the request that reflects actual program expenditures. This will ensure that there will be no surplus of federal cash on hand that exceeds allowable program costs.

Finding 2009F-2 – Federal expenditure reports for the Violence Against Women Grant do not agree with the accounting records.

Corrective Action – The SILC has implemented new procedures that will reconcile federal expenditure reports to the accounting records and has established a review process with other staff to ensure that the amounts are accurate and supported.

If you have any questions please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Robbi Barrutia". The signature is fluid and written in black ink.

Robbi Barrutia
Executive Director

APPENDIX

HISTORY

The Idaho State Independent Living Council was created by the Governor's Executive Order 93-01 on May 28, 1993. The Council became an independent State governmental entity as required by Section 705 of the U.S. Rehabilitation Act with the passage of House Bill 711 on July 1, 2004.

STATUTORY AUTHORITY

Authority for the establishment and operation of the Council is contained in the U.S. Rehabilitation Act amendments of 1992 (29 U.S.C., Section 796d(c) and 34 CFR 364.21), and was signed into law on October 30, 1992. This authority is established in Idaho Code, Title 56, Chapter 12.

PURPOSE

The major responsibilities of the Council are:

1. Develop, sign, and submit, in conjunction with the Idaho Division of Vocational Rehabilitation and the Commission for the Blind and Visually Impaired, the State Plan for Independent Living for people with disabilities.
2. Support the centers for independent living.
3. Serve as an advocate for independent living services provided through State and federal programs for people with disabilities.
4. Gather and disseminate information, conduct studies and analyses, develop model policies, conduct training on independent living philosophies, and work to expand and improve independent living services.

Additionally, the Council is required to:

1. Determine the need for services to Idahoans with disabilities and advocate with decision-makers.
2. Supervise and evaluate staff in order to carry out the functions of the Council.
3. Ensure that all regularly scheduled meetings of the Council are open to the public, and that sufficient advance notice of meetings is provided pursuant to the open meetings law.
4. Prepare reports and make recommendations as necessary.
5. Perform other activities the Council deems necessary to increase the ability of Idahoans with disabilities to live independently.
6. Promulgate rules, as may be necessary, in compliance with Idaho Code, Title 67, Chapter 52.

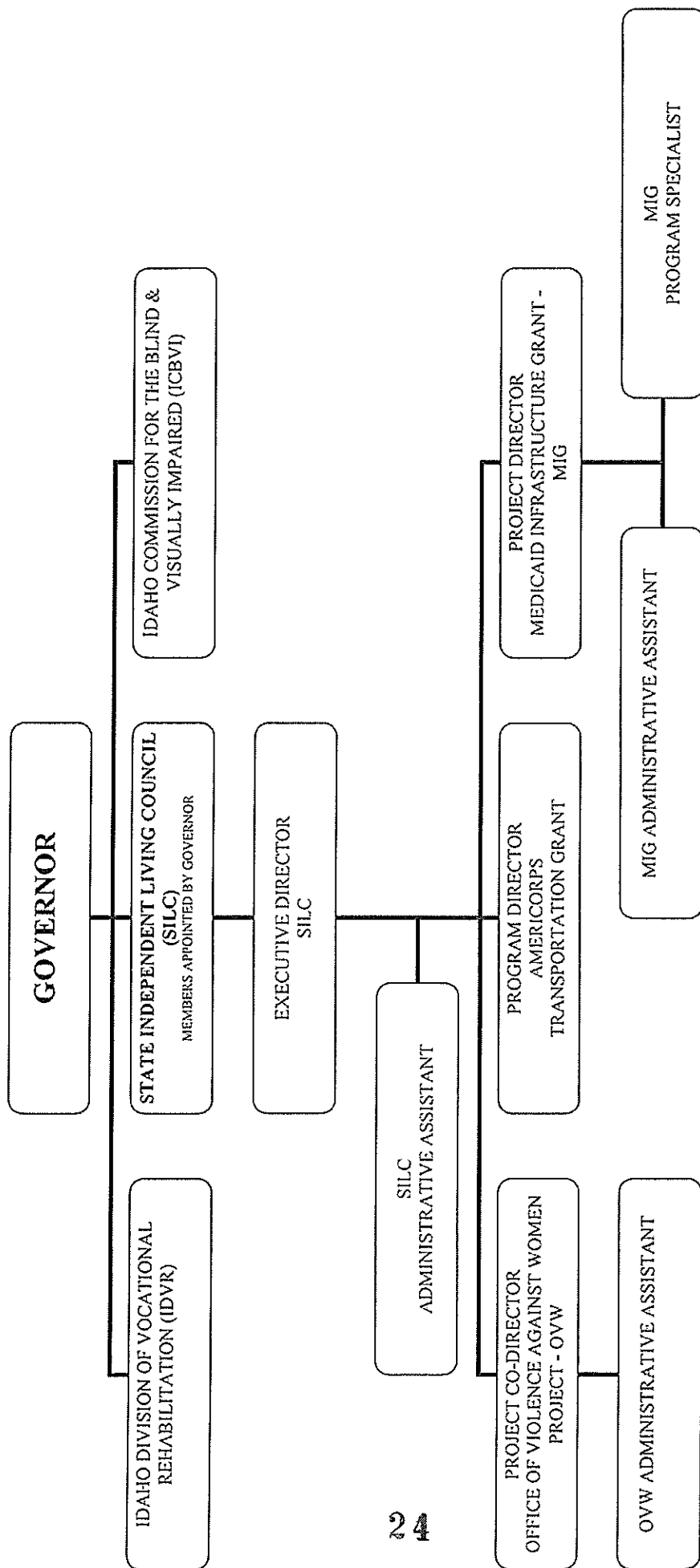
FUNDING

Revenue primarily comes from the Federal Workforce Development Act (Title VII, Part B through the Idaho Division of Vocational Rehabilitation), the State General Fund, and three grants: Office of Violence Against Women (U.S. Department of Justice), AmeriCorps Accessible Transportation (through Serve Idaho, the Governor's Commission on Service and Volunteerism), and the Medicaid Infrastructure Grant (Centers for Medicare and Medicaid, CMS). Additional revenue sources include payments from a sublease of office space, interest accrual, and revenue/cash match received from contractual projects.

ORGANIZATION

The Council's staff consists of an executive director and an administrative assistant II (group position). Positions created specifically for the grants include three project directors, one and one-half administrative assistant I positions, and one program manager.

IDAHO STATE INDEPENDENT LIVING COUNCIL ORGANIZATION CHART



SILC STANDING COMMITTEES

Executive Committee	Planning Committee	Program Committee
Membership Committee	Policy Committee	Outreach Committee